

KEY PERFORMANCE INDICATORS

The system of key performance indicators (hereinafter referred to as KPI) of the management of PJSC RusHydro was developed taking into account item 4 of the list of instructions of the President of the Russian Federation No. Pr-1474 of July 5, 2013, instructions of the Government of the Russian Federation No. H-P13-2043 of March 27, 2014 and directives of the Government of the Russian Federation of April 25, 2014 No. 2579p-P13, of November 12, 2014 No. 7558p-P133 in accordance with the Methodological Guidelines of the Federal Property Management Agency and is aimed at improving the efficiency of the Company's operations and achieving the goals set by shareholders. Since 2017, the KPI management system includes the annual key performance indicators of the members of the Management Board of PJSC RusHydro and the key performance indicators of Long-term motivation programme RusHydro.

In 2016, based on the recommendations of an independent consultant¹, a list, a methodology for calculating and estimating the annual KPIs of the members of the Management Board of PJSC RusHydro for 2017, as well as KPI of the long-term motivation programme of PJSC RusHydro's first stage for 2017-2019 were introduced, hence allowing to motivate the Company's management to implement strategic objectives and

thereby, to combine the interests of the management and shareholders of the Company. Calculation and evaluation of KPIs of members of the Management Board and KPI of the Company's long-term motivation programme is carried out on the basis of the procedure for calculating and assessing the annual KPIs of the members of the Management Board of PJSC RusHydro approved by the decision of Board of Directors from Minutes No. 245 of December 26, 2016 (taking into account the changes from Minutes No. 251 of April 18, 2017) and the Methodology for Calculating and Evaluating the Key Performance Indicators of the Long-Term Motivation Programme PJSC RusHydro of the first stage for 2017-2019 respectively.

The fulfillment of key performance indicators of the long-term motivation programme by 50% depends on the performance of the 3-year TSR indicator. According to the adopted methodology of the Long-Term Motivation Programme, the TSR, calculated as the sum of the change in the market price of the share and dividend yield for the reporting period, is considered to be met if the calculated actual value of the indicator exceeds the dynamics of the Moscow Stock Exchange Index for the reported 3-year period by a positive amount.

ANNUAL KPIS OF MEMBERS OF THE MANAGEMENT BOARD OF PJSC RUSHYDRO FOR 2017

The annual KPIs of the members of the Management Board of PJSC RusHydro for 2017 include five financial and economic indicators and two industry indicators (which meet the requirements of the Federal Property Management Agency). The financial and economic indicators of the annual KPIs of the members of the Management Board of PJSC RusHydro include an indicator that is mandatory for use, according to the instructions of the Federal Property Management Agency - ROE. The basis for the calculation of financial and economic indicators in the Company is the Group's consolidated

financial statements under IFRS. Also, in 2017, the Board of Directors changed the methodology for calculating and evaluating annual KPIs of members of the Management Board of PJSC RusHydro (Minutes No. 251 of April 18, 2017) pursuant to the decision of the Board of Directors of the Company on proposals to improve the methodology for calculating and evaluating key performance indicators in terms of the implementation of capacity utilisation schedules and the plan for financing and development, (Minutes No. 245 of December 26, 2016).

¹ The recommendations of the independent consultant (Ernst & Young (CIS) BV) on the methodology of the payment system for members of the Management Board were 1 Decree of December 27, 2013 No. Pr-3086. approved by the Board of Directors (Minutes No. 241 of September 23, 2016).

The target values for the annual KPI of the members of the Management Board of PJSC RusHydro for 2017 and target values of KPI of the long-term motivation programme of PJSC RusHydro for the first stage for 2017-2019 were approved by the decision of the Board of Directors (minutes of the Board of Directors dated 26.12.2016 No. 245, taking into account the changes approved by the Board of Directors protocol No. 254 of June 22, 2017).

Target and actual values of annual KPIs of members of the Management Board of PJSC RusHydro

Key Performance Indicators (KPI)	2017			Indicator weight	Achievement degree of KPI in 2017 compared to 2016
	Target Value	Actual value	Achievement		
Profit before taxes and depreciation (EBITDA) ¹ , mn RUB	97,993	110,323	Completed	15%	-
Return on equity (ROE)	6.1 %	10.13 %	Completed	15%	100%
Proportion of purchases from small and medium enterprises, including:	≥18%	85%	Completed	10%	100%
based on the results of purchases only among small and medium-sized enterprises	≥10%	38%	Completed		
Prevention of the number of accidents from exceeding the maximum value:	0	0	Completed	20%	-
number of accidents at work, pcs.	25,2 ²	14			
number of major accidents, pcs.	0	0			
Commissioning of capacity schedules and a plan for financing and development	85%	92.8%	Completed	20%	100%
Labour productivity, thousand RUB / person-hours	4.74	5.20	Completed	10%	-
Reducing operating costs	2%	2.26%	Completed (taking into account factors beyond the control of management) ³	10%	-

¹ Based on the accepted KPIs calculation for the members of PJSC RusHydro's management board, approved by the resolution of the Board of Directors (minutes from December 26, 2016, No. 245), EBITDA is calculated based on the audited consolidated financial statements of RusHydro Group prepared in accordance with IFRS by the following formula: EBITDA = Earnings before tax + amortisation of fixed and intangible assets + non-cash expenses - non-cash income + interest.

This EBITDA calculation differs from EBITDA calculation disclosed in RusHydro Group's financial statements prepared in accordance with IFRS. Based on the note 5 of the audited consolidated financial statements of RusHydro Group prepared in accordance with IFRS, EBITDA is calculated as operating profit / loss excluding insurance compensation, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property, plant and equipment, impairment of financial assets, impairment of loans issued and accounts receivable, gain / loss on disposal of property, plant and equipment, gain / loss on disposal of subsidiaries and associates, profit on disposal of other non-current assets and other non-monetary items of operating expenses.

² Less than average for 5 years.

³ Decision of the Board of Directors of PJSC RusHydro of April 24, 2018 (Minutes No. 269).

KPI LONG-TERM MOTIVATION PROGRAMME OF PJSC RUSHYDRO FOR THE PERIOD OF 2017-2019

The KPI of the Long-Term Motivation Programme of PJSC RusHydro for the first stage of 2017-2019: three indicators are included: two financial and economic (one of which is Total Shareholder Return (TSR) is included in the list of mandatory ones in accordance with the requirements of the Federal Property Management Agency) and an integral innovative KPI approved by the decision of the Interagency Working Group on Implementing Innovation Development Priorities of the Presidium of the Council President of the Russian Federation for Economic Modernisation and Innovative Development of Russia (Minutes No. AD-P36-247pr of December 17, 2015). Integral KPI of innovation activity is included in the KPI list for 2017 in accordance with the directives of the Government of the Russian Federation dated March 3, 2016 No. 1472p-P13 and in accordance with the decision of the Board of Directors (Minutes No. 242 of October 10, 2016).

Targets of key performance indicators of the long-term motivation programme of PJSC RusHydro for the first stage of 2017-2019¹

KPI of the Programme	Target Value
Total shareholder return (TSR),%	100 %
Integral innovative KPI, %	85 %
Free cash flow (FCF), mn RUB	-84,097

Evaluation of the dynamics of key performance indicators of the long-term motivation programme of PJSC RusHydro for the first stage of 2017-2019 will be conducted at the end of the period for which the indicators are set.

KPI THE LONG-TERM DEVELOPMENT PROGRAMME OF RUSHYDRO

The long-term development programme contains KPIs established for 2016-2020.

The target values of the KPI of the LDP for 2016-2020 were approved as part of the LDP RusHydro Group for 2016-2020 (following the meeting of the Board of Directors of April 18, 2017 No. 251). The actual KPI values for 2017 are calculated in accordance with the Methodology for Calculating and Evaluating the Key Indicators of the Long-term Development Programme of RusHydro Group approved by the Board of Directors (Minutes No. 251 of April 18, 2017).

The calculation of KPI targets is in accordance with the parameters of the draft of RusHydro Group's consolidated business plan for 2017-2021, and taking into account the activities envisaged by the programmes of the Group.

The list of key performance indicators of the long-term development programme of RusHydro for 2016-2020 is similar to the KPI management system. [103-2],[103-3]

¹ In accordance with the decision of the PJSC RusHydro Board of Directors dated 04/25/2018 No. 269 on changing the Target values of performance indicators of the first stage PJSC RusHydro's Long-term Motivation Programme for 2017-2019.

Target and actual values of KPI LDP RusHydro

Key Performance Indicators	2017			2018	2019	2020
	Value			Value		
	Target	Actual	Achievement	Target	Target	Target
Total Shareholder Return ¹	100 %	<100 %	Not Completed	100%	100%	100%
Return On Equity (ROE)	5.8 %	10.13 %	Completed	5.8%	7.4 %	7.4%
Income before interest, taxes and depreciation (EBITDA) ² , RUB mn	95,993	110,323	Completed	93,878	115,248	116,626
Avoiding a higher number of accidents:	0	0	Completed	0	0	0
number of accidents at work, pcs.	≤ average for 5 years ³	14	Completed	0	0	0
number of accidents, pcs.	0	0	Completed	0	0	0
Implementation of capacity schedules and plan for financing and development	85%	99%	Completed	85%	85%	85%
Proportion of purchases from small and medium-sized enterprises,	18%	85%	Completed	18%	18%	18%
including the results of purchases only among SMEs	10%	38%		15%	15%	15%
Labour productivity (revenue, thousand RUB / person-hours)	4.72	5.20	Completed	4.82	5.02	5.17
Integral Innovative KPI	85%	91%	Completed	90 %	95 %	95 %
Reducing operating costs	2%	2.26%	Completed ⁴	2 %	2 %	2 %
Free cash flow (FCF), RUB mn	-39,875	-29,722	Completed	-8,202	25,727	34,540

¹ According to the agreed method of calculation, the TSR value in 2017 was -11.7%, while the value of the Moscow Stock Exchange index was -3.6%. The negative dynamics of shares in PJSC RusHydro is due primarily to the general decline in the market, which was exerted by geopolitical risks, as well as a decrease in interest in Russian companies by global investors. For most of the year, the dynamics of shares of PJSC RusHydro corresponded to the average market. At the end of the year, the main factors in the decline in the value of the shares were: the decision of the Board of Directors of the Company on temporary conservation of the construction project of Zagorskaya PSP-2, confirmation of information on the additional issue of the company's shares for financing the Pevek-Bilibino power transmission line project and other factors.

² The methodology for calculating EBITDA for LDP KPIs is similar to methodology of calculating EBITDA for KPIs the members of the Management Board.

³ The value is 25.2.

⁴ In accordance with the decision taken at the meeting of the Board of Directors of PJSC RusHydro dated 24.04.2018 (Minutes No. 269).